



Request for City Council Committee Action From the Department of Public Works

Date: September 24, 2013

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: **Downtown Business Improvement Special Service District, Proposed Services and Service Charges for 2014: Public Hearing**

Recommendation:

Passage and summary publication of a Resolution for the Downtown Business Improvement Special Service District:

- A. Approving the operating plan which includes special services and budget cost estimates in the lump sum total amount of \$6,565,072 for 2014;
- B. Approving service charges and the lists of service charges (assessments) in the lump sum total amount of \$6,190,723 for 2014;
- C. Directing the City Clerk to transmit certified copies of the lists of service charges to the Hennepin County Auditor;
- D. Directing the City Engineer to proceed with the work; and
- E. Approving a new staff direction regarding negotiating and executing an amendment to the City's contract with Minneapolis Downtown Improvement District, Inc.

Previous Directives:

- 1.) May 24, 2013, City Council adopted:
 - a. Passage of Ordinance approving re-adoption of Title 17, Chapter 465 of the Minneapolis Code of Ordinances relating to *Streets and Sidewalks: Downtown Business Improvement Special Service District*, renewing the Downtown Business Improvement Special Service District through December 31, 2018; and
 - b. Staff directed to negotiate and execute an amendment to the contract with Minneapolis Downtown Improvement District, Inc., that includes district entity board and committee meetings noticed and open to City staff and District rate payers; and submission of a Business Plan to the City for review and approval.
- 2.) July 24, 2013, the Transportation and Public Works Committee directed staff to give notice of public hearing.

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Approved by: _____
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Presenters: Michael D. Kennedy, P.E., Director, Transportation Maintenance & Repair
Andrew Carlson, Project Manager--Special Service Districts

Reviews: Not Applicable

Financial Impact:
Special Assessment against benefited properties

Community Impact

Neighborhood Notification: Public hearing notices sent out September 9, 2013.
City Goals: The City's infrastructure will be well-maintained; streets will be destinations.
Comprehensive Plan: Consistent
Zoning Code: Not Applicable

Background/Supporting Information:

On December 12, 2008, City Council adopted an ordinance that amended the Minneapolis Code of Ordinances by adding a new Chapter 465 that established the Downtown Business Improvement Special Service District, commonly called the Downtown Improvement District or "DID". On May 24, 2013, City Council re-adopted Chapter 465 renewing the Downtown Business Improvement Special Service District establishment ordinance through December 31, 2018.

2014 Operating Plan (Proposed Services and Budget)

A public hearing is required for the City Council to review and approve the District's proposed services and service charges for 2014. As described in the attached Operating Plan, the total proposed budget for 2014 is \$6,565,072 to provide services within the categories of Safe, Clean, Greening & Public Realm, Public Area Maintenance, Snow, Communications, Program Management, Administration, and Contingency.

All services within the District are proposed to continue to be managed and delivered by Minneapolis Downtown Improvement District, Inc., a non-profit corporation, via a contract with the City. Effective January 1, 2013, the Minneapolis Downtown Improvement District, Inc. board of directors voted to become a fully controlled subsidiary of the Minneapolis Downtown Council and the boards of both entities are now composed of the same individuals.

This proposed Operating Plan and Budget was developed by Minneapolis Downtown Improvement District, Inc. and reviewed by staff from the City Attorney's Office, the City Coordinator's Office, as well as the Public Works and Finance Departments.

The Department of Public Works recommends that your committee approve the proposed 2014 Operating Plan and Budget.

2014 Service Charges (Assessments)

The total service charges for mandatory properties (as provided for in Minnesota Statute) for 2014 are proposed to be \$5,550,628. The method for calculating service charges is based on the following:

- a) The cost for services that have a direct relationship to lineal footage (e.g., sidewalk sweeping) are pro-rated based on the lineal frontage of a property; and
- b) The cost for services that benefit the entire District without a direct relationship to lineal frontage (e.g., greening) are pro-rated based on the property's gross building area (or land area if undeveloped) per City Assessor records. This addresses the relationship between the quantity of people within a building and the use of the District services.
- c) The District is divided into three service charge subareas: core; standard plus; and standard. Property lineal frontage and gross building area (or land area if undeveloped) are weighted by a factor (1.0 for core area parcels, .50 for standard plus, and .25 for standard) and costs are pro-rated accordingly.

The Department of Public Works recommends that your committee approve the proposed 2014 service charge methodology and service charges.

Exempt Properties and Voluntary Opt-Ins

In addition to the service charges for mandatory properties, another \$640,094 in service charges are proposed to be assessed to certain properties that have voluntarily opted in to pay service charges. (Residential, government and certain non-profit properties are exempt from the service charges but may opt in to pay service charges.) Service charges for 21 City-owned properties within the District totaling \$529,669 are included in this amount. Separately, two additional City-owned properties with combined total services charges of \$16,178 are included in the mandatory property service charges total described in the previous section, therefore the actual total service charges for all 23 City-owned properties is \$545,848.

The proposed budget also includes an additional \$374,349 in placeholders for funds that may be received outside the assessment process including donations, direct-service agreements, and some exempt properties that opt to contribute to the DID directly. Included in this amount is a \$314,349 placeholder for a potential direct contribution from Hennepin County for its nine properties within the District as well as a placeholder of \$60,000 for other non-service charge revenue.

Operating Plan Amendments

To account for unspent service charge funds approved and assessed in the current year (2013) and previous years, the Minneapolis Downtown Improvement District, Inc., board will submit to the City an amended 2014 Operating Plan and Budget recommendation early next year. This amended Operating Plan and Budget recommendation will then be presented to your committee for its review and approval in April 2014.

New Staff Direction on DID Contract Amendments

The Department of Public Works recommends that your committee approve a new staff direction regarding negotiating and executing an amendment to the City's contract with Minneapolis Downtown Improvement District, Inc., that provides for the following:

- Allow for an annual meeting between the DID, ratepayers, and city staff to help inform the DID's budget decisions.
- Clarify the City's role when making decisions related to district contracts, district rate calculation, and district boundaries.
- Require review of business practices that are deemed critical to the execution of the contract.

Attachment: 2014 Proposed Operating Plan and Budget